

**MINUTES OF SPECIAL MEETING
OPEN SESSION
July 20, 2010
ILLINOIS GAMING BOARD
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Tuesday, July 20, 2010 a Special Meeting of the Illinois Gaming Board ("Board") was held on the 3rd floor at 160 N. LaSalle, Chicago, Illinois.

At 9:54 A.M. the meeting was called to order. Pursuant to Section 2(c), paragraphs (1), and 14) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

- 1. Personnel matters; and**
- 2. Investigations concerning applicants and licensees.**

Member Sullivan seconded the motion. The Board approved the motion unanimously by voice vote.

The Board remained in Closed Session until approximately 10:00 A.M. Member Winkler moved that the Board reconvene into Open Session. Member Gardner seconded the motion. The Board approved the motion unanimously by voice vote. The Board recessed and then went into open session at approximately 10:03 A.M. Present were the following Board Members: Chairman Jaffe, Members Charles Gardner, Eugene Winkler, James Sullivan and Joseph Moore.

CHAIRMAN'S COMMENTS -

The Chairman stated that we are here for public commentary of our proposed rules.

ADMINISTRATOR'S COMMENTS –

Administrator Ostrowski stated that public commentary is being taken for the 2nd set of Video Gaming Rules. There are two speakers scheduled for today's meeting.

PUBLIC COMMENTARY –

- **Kathy Gilroy**

Good morning, Chairman Jaffe, Members of the Board and staff. My name is Kathy Gilroy; I am speaking today as a member of the public.

First, I would like to thank you for taking seriously my concerns about the display and marketing of video gambling machines prior to the issuing of any licenses. Your requirement of a license

application is a start. Of course, I'm sure that this activity is still taking place, only now in a more discreet way.

I brought up some issues in my remarks on "gray" machines at the 12/16/09 Gaming Board meeting that have still not been addressed. "Video gaming terminal" is defined in your "Notice of Emergency Amendments" as "Any electronic video game machines that, upon insertion of cash, is available to play or simulate the play of a video game." I gave you two stories at that 12/16/09 meeting about sweepstakes machines. When the operators were sued for violating gambling laws, their defense was that sweepstakes machines are not slots because they operate with prepaid phone cards or credits – NOT CASH – and their outcomes are determined before the player ever spins the virtual reels. Since your definition does not address this type of machine, it creates an open door for these sweepstakes machines to move into Illinois, either where an establishment was denied a license or even in addition to other legal video gambling machines. Will you be addressing this possibility?

You still have not delineated between gambling and children's video games in your definitions.

Your definition of "Nominee" leaves open the possibility of hidden owners or investors. How will you be able to determine if they are suitable to be involved in video gaming in Illinois?

Section 1800.520 doesn't expressly say whether 20% is the maximum number of shares that any one business entity may own. Is it?

In what manner could withdrawing a manufacturer's, distributor's, supplier's, terminal operator's or licensed video gambling location's application be not in the best interests of the public, the gaming industry, or the State? Why would the Board not allow the withdrawal of an application?

Shouldn't the word in Section 1800.615(k) be AdministratIVE? Section 1800.920(b)(3) seems to be missing some words. In Section 1800.930(a), what is "registered with the Board"? Is a license required for persons who are financing video gaming terminals?

Section 1800.1030 has a part a) and part c), but no part b). Is part b) missing, or was part c) mislabeled and improperly indented? Section 1800.1070 also has a part a) and a part c), but no part b).

In Section 1800.1110(b), is the law enforcement agency required to only turn over wither the video gaming terminals OR terminal income, or are they required to turn over both?

At the 11/6/09 public hearing, I requested that you require signs with the 1-800-GAMBLER help-line in all establishments with video gambling machines, just as every other gambling establishment in Illinois is required to post. I requested that the statement with the gambling help-line number be required in all advertising as well, just as all other gambling establishments must do. Will you be requiring the posting of that assistance for problem gamblers?

A recent story on video gambling mentioned that you may be doing something to help people who are on the self-excluded list. I'm asking that you require some method of determining if a gambler has self-excluded before they are allowed to play at the new video gambling machines.

I also am concerned about the sight and sound of the machines in establishments that serve children. Please require strict separation of gambling from other areas of the restaurant or blowing alley, or whatever activity that caters to children.

Thank you for allowing me to speak and for your attention to these matters.

- **Anita Bedell, Executive Director Illinois Church Action on Alcohol & Addiction Problems**

Thank you for the opportunity to speak and share concerns and suggestions regarding the partial, emergency rules for the Video Gaming Act.

According to the June 9, 2010 Minutes of the Special Illinois Gaming Board meeting, "8 changes to existing definitions are due to the recent statutory changes to the law. They primarily concern the definition of CREDIT, the addition of limited liability company (LLCs) as a form of ownership, and the addition of another requirement in order to meet the definition of a licensed truck stop establishment".

I was surprised to hear the reasoning behind these changes, especially since HB 4927, the Legislation that includes these changes, had not even been sent to the Governor until June 17, 2010. While both the Senate and House passed the bill, the Governor has not signed the legislation into law! I am not a lawyer, but I question if the Illinois Gaming Board has the statutory authority to include the changes for Penny bets, Limited Liability Companies, and non-stop, 24 hour gambling 7 days a week at truck stops if the law authorizing these changes has not been signed into law.

HB 4927, which was a bill concerning Nursing Home Care – Vaccinations, was amended with one hour's posting notice. Senate President John Cullerton announced in a committee hearing, before the public even had a chance to testify on the video gambling bill HB 4927, **that there was an agreement between the four leaders and the governor.** HB 4927 passed on the Senate floor approximately an hour later, disguised as "clean up" language for video gaming.

Governor Quinn has until August 16 to sign HB 4927 and August 24 to sign video gambling bill SB 744. How do you know the Governor will not veto or put an amendatory veto on these bills? I thought the rule making process was not supposed to start until the bill was signed into law.

The Emergency Rules include retirement funds in the definition of "Institutional Investor". Many people who have retirement accounts would not want their retirement funds invested in such a risky investment as video gambling.

Section 1800.1010(a) No licensee shall sell, distribute, supply, or transfer a video gaming terminal **to any person that could not lawfully own or operate the video gaming terminal.**

The Chicago Sun-Times reported in February, 2010 **Top mobsters have been caught on secret FBI recordings welcoming the legalization of video poker machines, a business they have dominated over the years.** We are concerned that the language in this section might create a loophole which could be used for organized crime. **We suggest that you require that the licensee sell, distribute, supply or transfer to a person who is lawfully licensed to operate a video gaming terminal in Illinois.**

Section 1800.1020 Transportation of video gaming terminals into the State. The rules do not provide for any safeguards to protect from corruption. The rules are silent as to where the video gaming terminals will be inspected. The legislative intent of the Video Gaming Act was to rid the state of illegal video gambling terminals. What guarantees will you give the public that the motherboards will not be tampered with after verification by and IGB agent?

Section 1800.1030 receipt of Video Gaming Terminals in the State. If the video gaming terminal is not placed in operation upon receipt, what precaution will be taken to ensure the machine has not been tampered with during storage?

Section 1800.1040 and 1800.1050 says an agent of the Board must approve **and may inspect** all video gaming terminals before the transportation of video gaming terminals within or outside the State. **We ask that you remove the subjective language of may and require an inspection of all terminals before transporting them within or outside of the State as prevention against organized crime and corruption.**

Section 1800.1110 State-Local Relations requires any law enforcement agency that confiscates video gaming terminals or terminal income to give the money to the Illinois Gaming Board. The rules do not provide the mechanism to provide for the accounting and use of the money. In other states the confiscated machines and income were used to finance state and local vice units. What will the Gaming Board do with the confiscated machines and income?

The public and local officials are looking to the Illinois Gaming Board to strictly regulate video gambling for protection from corruption and organized crime. After the Gaming Board adopted a policy that would have precluded anyone who had operated an illegal machine from obtaining a license to operate them legally, the Legislature introduced and passed HB 4927, a bill that Chairman Jaffe said would “nullified that rule”. Senator Jeffrey Schoenberg, who voted for the bill, said he was unaware of the potential consequences. “If Chairman Jaffe believes there is a problem then we should definitely put the brakes on the matter until it is resolved,” Schoenberg said.

From a public perspective, it appears the gambling interests with money and political clout will continue to exert pressure, and the legislature will continually introduce and/or pass bills for their benefit. I ask you exert your independence and not compromise on rules that protect machine operators and distributors at the expense of safeguarding the public.

Thank you for your time and consideration.

The Chairman stated that he is not happy with the Legislation. The Gaming Board has the reputation as being the best and we intend to stay that way.

General Counsel Fries commented on hidden ownership. He stated that it is a concern. The Gaming Board agents are doing background investigations and continue to be very diligent.

General Counsel Fries acknowledged the concerns with HB4927. We will learn the status of that Bill long before video gaming goes live in Illinois. If there are any adjustments that are needed they will be made. The location applications will be offered as a PDF file on our website. As of this date they are not available. They will be made available in the future.

Member Gardner commented on Ms. Gilroy's concerns referencing children's video machines versus video gaming machines. The children's machines do not use cash to play. Ms. Gilroy stated that they are still video games. Member Gardner stated that the rules will be clear referencing that matter.

At 10:21 A.M. Member Winkler motioned to reconvene into Closed Session and Member Gardner seconded the motion. All Members voted in favor to reconvene into Closed Session.

Respectfully submitted,

Mary C. Boruta
Secretary to the Administrator